



## **SBA ARC Loans will be available June 15<sup>th</sup> for Existing Viable Businesses**

The American Recovery and Reinvestment Act authorized \$255 million in SBA guaranteed loans to help existing businesses struggling with business loan payments because of the economic downturn. This program, called American Recovery Capital, or ARC, will be available beginning June 15<sup>th</sup> and will continue until September 30<sup>th</sup> or when funds are depleted, whichever comes first. The funding only allows for about 10,000 loans nationwide, or an average of 200 per state, so it is critical that businesses have all their paperwork and supporting documentation ready by June 15<sup>th</sup>.

The loans must be used to make principal and interest payments on business loans, including mortgages, term and revolving lines of credit, capital leases, credit card obligations and notes payable to vendors, suppliers and utilities. Funds cannot be used to pay principal or interest on SBA loans.

Loans will be disbursed over six months, with a maximum loan amount of \$35,000. Repayment begins 12 months after the last disbursement. Only principal must be repaid; there is no interest. Borrowers have 5 years to repay the principal.

The loans will be available through SBA lenders which agree to participate in the program. However, lenders, including those in Morgan Hill, are still deciding whether to participate in the program. What steps should a business owner take now? “First, verify that your bank participates in the SBA program. Then, ask if they will be funding ARC loans. If so, ask what supporting information they will need as supporting documentation.”

It is likely that applicants will need to provide financial statements (and/or tax returns) for the past two years – showing the business was profitable before the economic downturn and can become profitable again. In general, the business must have been profitable in at least one of the last 3 years. Applicants will probably need to provide information about the loans that they intend to pay with ARC funds. If you want the funds to pay credit cards or mortgages, you should expect to prove that this debt was incurred to pay business expenses.

“We believe there will be high demand for these loans and funds will run out quickly. Businesses should be proactive to make sure they are in line to benefit from the ARC program.”

If you would like to know about other SBA loans and state and federal loan programs, visit Tools for Business on Morgan Hill's website at <http://morganhill.toolsforbusiness.info>.